



ACCOUNTING CAPITALIZATION DESK GUIDE

FY 2004 Edition

Federal Aviation Administration

PREFACE

This desk guide establishes the FAA criteria for recording and tracking FAA's capital assets. It was written to provide an easy-to-use resource to assist accounting and other organizations working with capital assets purchased from all appropriations.

The acquisition or construction of a capital asset begins at project inception. Expenditures during project implementation are recorded in Construction in Progress (CIP) and result in a final recording of an asset in the DELPHI Fixed Asset (FA) module. Assets are reported in the FAA's financial statements as part of the "Property, Plant and Equipment, Net" line item on the Consolidated Balance Sheet.

Our FY 2002 Financial Statements reported \$13.2 billion total property, plant and equipment, net of accumulated depreciation. This represents the most significant item on the Balance Sheet and therefore appropriately receives increased audit review each year.

This guide is also available on the internet at the following website http://www2.faa.gov/aba/html_fm/acdg.html.

In response to Department of Transportation audit recommendations, the FAA Administrator directed the establishment of a National Capitalization Team (NCT) "to exercise strong and centralized oversight of asset capitalization," to correct long-standing material weaknesses in the property area. The mission of the NCT is to ensure FAA records its capital assets on time and at full cost consistent with generally accepted accounting principles. Information on NCT activities is available on their website, http://www2.faa.gov/aba/html_fm/nat-cap-team.html. They also have an email address for submitting questions regarding capitalization: 9-awa-aba-national-capitalization-team@faa.gov.

Original guidance for this guide was taken from the FAA Accounting Order (2700.31), with updates to include recent changes in procedures as

a result of the upcoming implementation of our new DELPHI Financial System, official pronouncements of the Federal Accounting Standards Board (FASAB), and requirements under the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994.

The guidance contained in this guide is intended to support the audit of the FAA's financial statements, future system changes, and serve as basic guidance in capitalization decision-making. Future updates will be published as our experience with the new DELPHI Financial System matures.

This guide is not meant to be a training manual on the use of DELPHI. Training on DELPHI is being developed by the DELPHI team.

Any questions pertaining to this guide can be directed to either the Property Control and Analysis Branch, AFM-320 or the NCT using the email address mentioned above.



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August 2003